

MAIN STREET MONTANA PROJECT

A BUSINESS PLAN *For Montana by Montanans*

Energy and Utilities KEY INDUSTRY NETWORK

Final Recommendations to Governor Bullock

PROBLEM STATEMENT 1

The State of Montana lacks an energy development presence

Montana is blessed with a vast abundance of energy resources including approximately 25% of all recoverable U.S. coal reserves¹; the third ranked U.S. wind resource²; extensive hydro capacity; the thirteenth ranked state in crude oil³; and, twentieth in natural gas production.⁴ Over the coming decades, the U.S. and Montana will face a changing energy landscape as old paradigms are challenged by: new technologies, the cost burdens of maintaining aging infrastructure, regional market forces driven by shifting customer demand, changing (and complex) regulatory regimes as well as the consolidation and reorganization of markets. As discussed in other KINs, Montana is challenged by its distance from markets for its energy resources. We need to be ready for what will undoubtedly be a fast and profound shift in how we produce energy in the US. And we need to steer into this future with purpose and intelligence. In the Governor's own words:

*"Montana is going to be an energy leader for generations to come and we're poised to create thousands of new jobs while protecting the ones we have. I'm looking for realistic and common sense solutions that work for Montana, expand our economy and protect our clean air and water."*⁵

¹ Source: U.S. Energy Information Administration Form EIA-7A, 'Coal Production and Preparation Report,' and U.S. Department of Labor, Mine Safety and Health Administration Form 7000-2, 'Quarterly Mine Employment and Coal Production Report.'

² American Wind Energy Association 2015. <http://www.awea.org/learnabout/publications/upload/10-11-Montana.pdf>

³ U.S. Energy Information Administration, *Rankings: Crude Oil Production, August 2015* -- <https://www.eia.gov/state/rankings/#/series/46>

⁴ U.S. Energy Information Administration, *Rankings: Natural Gas Marketed Production, 2014* -- <https://www.eia.gov/state/rankings/#/series/47>

⁵ Office of the Governor. 2014. *Governor Bullock Comments to EPA Regarding Proposed Clean Air Rules*. Dec. 1, 2014. <https://governor.mt.gov/Portals/16/docs/2014PressReleases/120114111dCommentsRelease.pdf>

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To assess and rapidly respond to the opportunities ahead, the KIN members are proposing the creation an infrastructure authority empowered to act in the industries' and State's interests.

KIN RECOMMENDATION #1

Create a permanent Montana Energy Infrastructure Authority (MEIA) or a similar permanent advising and coordinating body by the end of the first quarter of 2016 to address Energy Industry Sector matters. Potential responsibilities in the charter for this authority would include:

- **Developing a comprehensive statewide energy strategy, including a strategic plan to meet industry and workforce needs**
- **Exploring funding options including public-private partnering solutions for projects**
- **Coordinating state resources and facilitating regulatory reviews**
- **Promoting Montana's energy export opportunities**
- **Coordinating projects and plans of industry companies and other interests**
- **Serving as a resource for the Montana State Legislature**
- **Collaborating with the Montana University System on energy sector research and innovation**

ECONOMIC DEVELOPMENT BENEFIT

The benefits of creating the Montana Energy Infrastructure Authority (MEIA) include:

- The MEIA would strategically assist in the development of Montana's energy economy.
- The MEIA would be a focal point for Montana state government to support energy industries including, but not limited to:
 - Coal
 - Oil and gas
 - Renewable energy (e.g., hydro, wind, solar, geothermal)
 - Interstate and regional transmission
 - Advanced energy technologies (*such as* carbon capture, batteries, biofuels)

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PROBLEM STATEMENT 2

The Montana Major Facility Siting Act (MFSA) is unnecessarily restrictive to industry

The MFSA is in need of a thorough review and modification to meet the needs of current energy issues related to linear facility development. Examples include:

- The “Need Determination” standards for siting of an electric transmission line in Montana (ARM 17.20.1606 and ARM 17.20.920-924), developed when transmission service was primarily related to “native load” customers, are out of date and do not well fit today’s transmission requirements. Considering nationwide developments such as deregulation of wholesale electricity markets, renewable portfolio standards, the Clean Power Plan, ISOs and RTOs, energy imbalance markets, and more recent FERC orders, the existing requirements have become outdated.
- Amendments to MFSA made during the 2011 legislative session requiring a one mile wide study corridor resulted in unintended consequences that have proved problematic for developers of both electric transmission lines and pipelines.
- The MFSA requirement to identify and study three alternative routes for any linear project makes it difficult to incorporate landowner input and cooperative agreement.

The KIN held a series of subcommittee meetings this past summer discussing these issues with Montana Department of Environmental Quality (MDEQ) Director Tom Livers and his staff, with the conclusion that MFSA should be revised to address these problems. MDEQ agreed to continue on with the progress thus far made by the subcommittee and take the lead on working to develop legislation for the 2017 legislative session.

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KIN RECOMMENDATION #2

Support the KIN-MDEQ work currently underway in revising the Major Facility Siting Act

ECONOMIC DEVELOPMENT BENEFIT

The benefits of revising MFSA include:

- Streamlining of regulations.
- Making permitting more efficient for today's transmission and pipeline needs.
- Supporting responsible development of Montana's diverse resources.
- Expanding Montana's ability to attract more major facility investment.

PROBLEM STATEMENT 3

Montana lacks a comprehensive policy approach to energy efficiency

Cost-effective energy efficiency is often cited as the lowest cost method of meeting energy demand. It's sometimes expressed that the lowest cost energy generation facilities are those that don't need to be built – which is the result of good energy efficiency practices that reduce energy demand in the first place. Cost-effective efficiency programs conducted by utility providers, commonly working with vendors, are key to increasing overall energy efficiency. These programs typically involve contracts with local vendors who hire local technicians to perform the work. Hence, Montana needs policies that properly support utility programs to obtain cost-effective energy efficiency, and remove financial disincentives that would hinder these efforts. Further, the overall stability and value of these programs is improved when investments in energy efficiency by utility providers are treated like other supply assets; and, these parties are allowed to receive a reasonable return on these investments.

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KIN RECOMMENDATION #3

Pursue policies through a stakeholder group that provide utility providers and other energy interests such as efficiency vendors with predictable and fair returns on investments in cost-effective energy efficiency programs

ECONOMIC DEVELOPMENT BENEFIT

The benefits of creating an energy efficiency stakeholder group that successfully pursues policies that present utility providers, and therefore other energy efficiency interests, predictable and fair returns on investments in cost-effective energy efficiency programs include:

- Less investment in capital intensive energy generation facilities
- Lower average energy bills to all energy consumers - residential, commercial, and industrial.
- More capital available for other investment.
- Potential job creation and economic growth from increased industry profitability due to lower energy bills, increased employment of local technicians by utilities and energy efficiency vendors, and enhanced development from better use of assets.

PROBLEM STATEMENT 4

Inadequate numbers and types of Energy Sector workers to meet demand

Energy and Utility KIN members noted that their industries are currently facing these key workforce challenges:

- Recruitment and retention - finding, attracting and retaining good workers.
- Workforce gaps - as employees retire, companies do not always have employees with the right technical expertise required to fill positions.
- Getting new employees up to speed and then retaining the experienced employees once they are trained.

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It appears that this situation will become more acute with impending worker shortages that were described to KIN members by Commissioner of Labor and Industry Pam Bucy and discussed by some KIN members based on their own experience. Commissioner Bucy noted that about 27% of Montana's workforce is 55 years or older and approaching retirement age.⁶ These impending retirements are potentially going to reduce Montana's labor force by 130,000 workers, while the group of young workers entering the labor force (aged 16 to 24) is only 123,000 producing a shortfall of workers that will exacerbate cross-sector workforce issues.⁷

The Energy KIN members recommend that the Governor's Office lead and coordinate initiatives to ensure the sector would have the necessary workforce of tomorrow.

⁶ State of Montana 2015 Labor Day Report

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KIN RECOMMENDATION #4

Recommendation: Lead and coordinate the effort to ensure a sufficient pipeline of trained workers for the Energy Industry sector through efforts such as:

- **Creating a cross-KIN workforce group;**
- **Developing a platform or process to facilitate employer coordination (apprenticeships, internships, mentorships);**
- **Determining retraining needs and identifying funding sources for the energy workforce;**
- **Creating permanent linkages among Department of Labor, the Montana University System and the Energy Industry allowing for regular communication and input from the private sector;**
- **Marketing career opportunities to students early and educating Montanans about the Energy Sector;**
- **Exploring successful efforts in other states and in industry concerning recruiting, retaining and re-training workers.**
- **Developing a web portal that gives access to populations inside and outside of metro areas.**

ECONOMIC DEVELOPMENT BENEFIT

The benefits of leveraging a coordinated workforce development effort across all industry sectors include:

- Workers benefit professionally and financially due to increased access to appropriate job skills training.
- Employers benefit due to increased availability of properly trained workers.
- Montana benefits through expanded ability to attract, retain and grow Montana businesses.